



MICHIGAN ECONOMIC UPDATE

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<http://www.michigan.gov/treasury>

September 2004 Summary

U.S. Economy: September U.S. economic indicators were mixed. Both the ISM manufacturing and non-manufacturing indices, while still indicating growth, fell slightly and remained below 60 for the second straight month. Housing starts, while remaining at historically high levels, fell 6.0 percent. Existing home sales rose 3.1 percent. Consumer sentiment declined for the second straight month and CEO confidence declined for the second straight quarter, falling to a 63.0 reading. The index of leading economic indicators fell for the fourth straight month. Industrial production rose 0.1 percent. Retail sales rose sharply, rising 1.5 percent. Excluding autos, retail sales rose 0.6%.

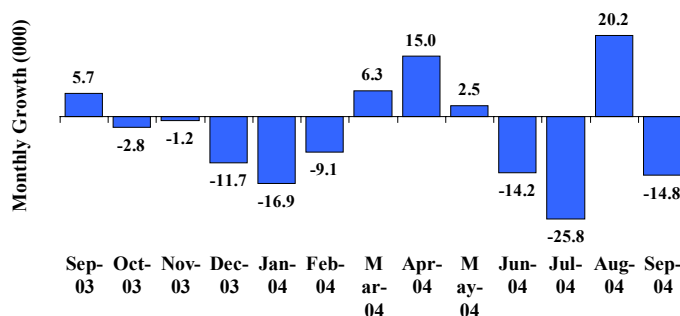
Employment: Michigan payroll employment fell by 15,000 jobs in September, led by a 10,000 jobs decline in leisure and hospitality and a 6,000 jobs decline in auto manufacturing. The state's unemployment rate rose 0.1 of a percentage point to 6.8 percent. Nationally, payroll employment increased by 96,000 compared to August. The U.S. unemployment rate was unchanged at 5.4 percent.

Auto Industry: September light vehicle sales rose to a 17.5 million unit annual rate. Compared to a year ago, the three-month average of state vehicle production was down 13.2 percent compared with a 1.5 percent decline nationally. Light vehicle inventories were up 7.2 percent from a year ago; days supply increased by 1 day to 63 days.

Inflation: Compared to a year ago, overall U.S. consumer prices rose 2.5 percent. Excluding volatile food and energy prices, "core" consumer prices rose 2.0 percent. Oil prices averaged about \$45 a barrel in September.

Michigan Metro Areas: Seasonally unadjusted September unemployment rates ranged between 3.7 percent (Ann Arbor MSA) and 8.3 percent (Flint MSA) for the twelve major labor market areas. County unemployment rates ranged between 1.6 percent (Mackinac) and 10.4 percent (Oscoda).

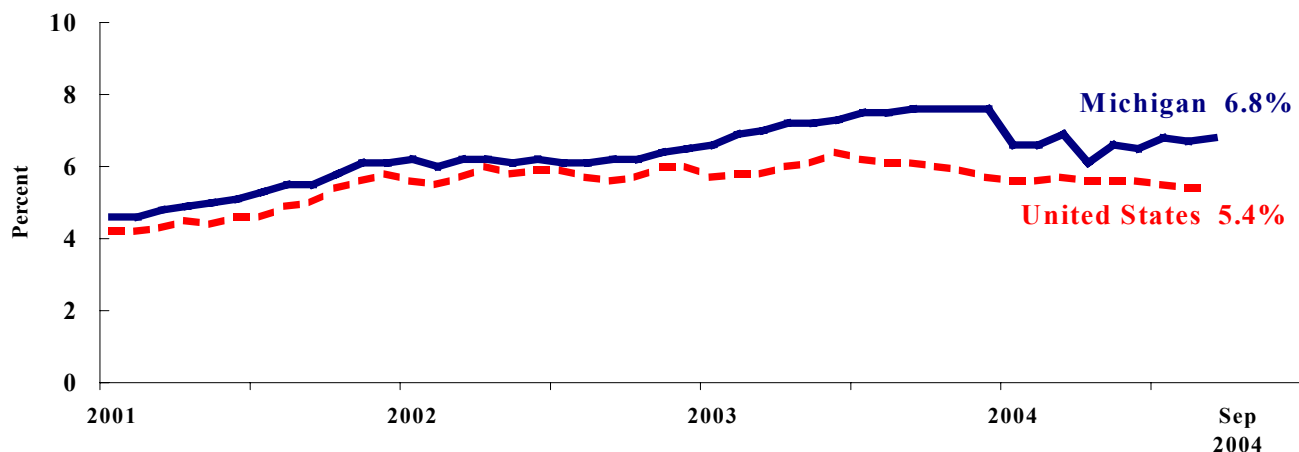
Michigan Employment Declines^(a)



Labor Market Statistics

- Michigan's September monthly unemployment rate increased 0.1 percentage points to 6.8 percent. The current Michigan jobless rate is 0.8 percentage points below a year ago. The September U.S. unemployment rate remained unchanged from last month at 5.4 percent and was 0.7 percentage points lower compared to a year ago. Monthly unemployment rates fluctuate due to statistical sampling errors and data revisions.

Michigan and U.S. Monthly Unemployment Rates 2001 to 2004



Source: Michigan Dept. of Labor and Economic Growth and Bureau of Labor Statistics, U.S. Dept. of Labor

- The number of people employed in Michigan was 4,718,000 in September, up 3,000 from last month, while the labor force increased by 8,000. Therefore, the statewide total number of unemployed increased by 5,000 to 343,000.
- United States household employment totaled 139.5 million persons in September, down 201,000 from August. The labor force decreased by 221,000 from last month, which meant that there were 19,000 fewer unemployed people nationally, compared to August 2004.

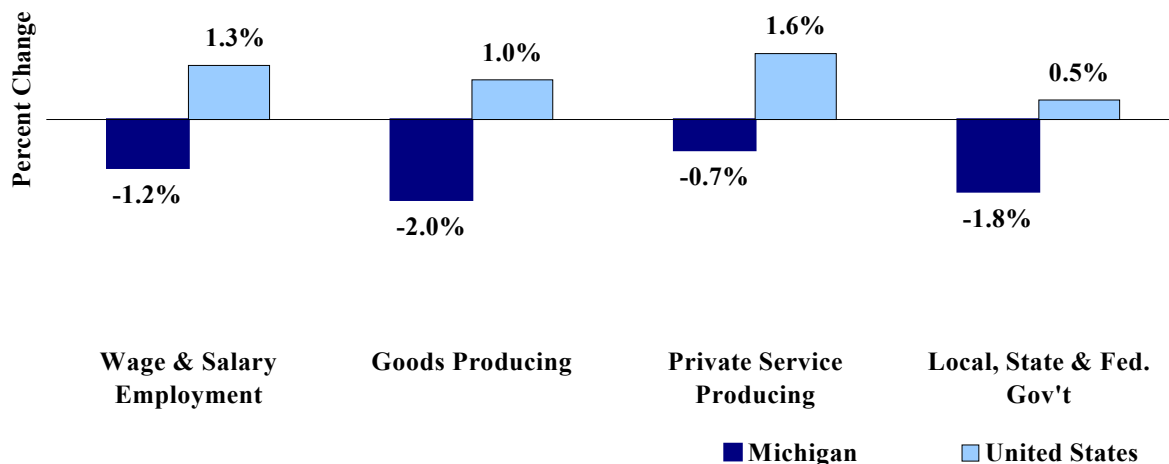
Employment by Place of Residence (in thousands)^(a)

	2003 Average	Jul 2004	Aug 2004	Sep 2004	Change From			
					Prior Month		Last Year	
					Level	%	Level	%
Michigan								
Labor Force	5,042	5,047	5,053	5,061	8	0.2%	n.a.	n.a.
Employed	4,674	4,703	4,715	4,718	3	0.1%	n.a.	n.a.
Unemployed	368	344	338	343	5	1.5%	n.a.	n.a.
Unemployment Rate	7.3%	6.8%	6.7%	6.8%	n.a.	0.1% pts	n.a.	-0.8%
United States								
Labor Force	146,510	147,856	147,704	147,483	-221	-0.1%	n.a.	n.a.
Employed	137,736	139,660	139,681	139,480	-201	-0.1%	n.a.	n.a.
Unemployed	8,774	8,196	8,022	8,003	-19	-0.2%	n.a.	n.a.
Unemployment Rate	6.0%	5.5%	5.4%	5.4%	n.a.	0.0% pts	n.a.	-0.7%

Employment by Place of Work

- From September 2003 to September 2004, Michigan wage and salary employment declined 53,000 (1.2 percent). State wage and salary employment decreased 15,000 from August. Nationally, September 2004 wage and salary employment rose 1,711,000 (1.3 percent) from a year ago and was up 96,000 from last month.

Wage and Salary Employment Growth September 2003 to September 2004



Source: Bureau of Labor Statistics, Michigan Department of Labor and Economic Growth

- In the goods producing sector, Michigan employment fell 2.0 percent from a year ago and private service-producing sector employment decreased 0.7 percent compared to last year. From a year ago, September national employment in the goods-producing sector rose 1.0 percent and increased 1.6 percent in the private service-producing sector.
- Manufacturing weekly hours fell in Michigan by 0.5 hours compared to last year.

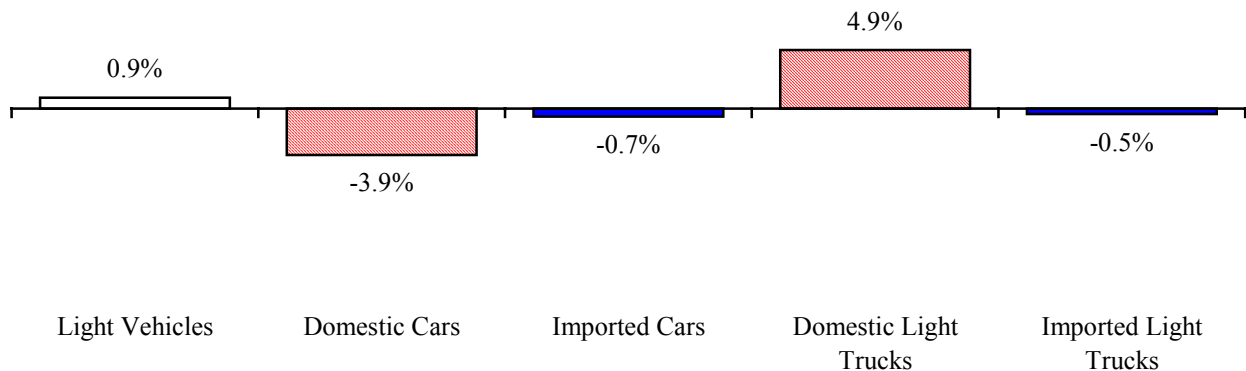
Establishment Employment (in thousands)^(b)

	Michigan				United States			
	2003 Average	Sep 2003	Sep 2004	Percent Change	2003 Average	Sep 2003	Sep 2004	Percent Change
Wage & Salary Employment	4,412	4,407	4,355	-1.2%	129,931	129,856	131,567	1.3%
Goods Producing	925	916	898	-2.0%	21,817	21,697	21,908	1.0%
Manufacturing	727	717	701	-2.2%	14,525	14,375	14,384	0.1%
Private Service Producing	2,805	2,810	2,789	-0.7%	86,538	86,620	88,018	1.6%
Trade, Trans. & Utilities	815	814	798	-2.0%	25,275	25,252	25,505	1.0%
Services	1,700	1,707	1,711	0.2%	50,092	50,189	51,274	2.2%
Local, State & Fed. Gov't	681	681	669	-1.8%	21,575	21,539	21,641	0.5%
Manufacturing Weekly Hours	42.1	42.3	41.8	-0.5 hrs	40.4	40.4	40.8	0.4 hrs

Motor Vehicle Industry Sales

- Light vehicle sales rose in September to a 17.5 million unit annual rate, up 5.5 percent from last month and 3.1 percent from a year ago.
- Compared to a year ago, domestic sales were up 4.3 percent while foreign sales fell 1.5 percent. Auto sales fell 3.8 percent while light truck sales rose 8.8 percent. Light vehicle inventories rose 7.2 percent while days supply increased by 1 day to 63 days.
- Year-to-date 2004 light vehicle sales are up 0.9 percent compared to last year. Domestic light truck sales are up 4.9 percent for the year, while import light truck sales are down 0.5 percent year-to-date in 2004. Domestic car sales are down 3.9 percent year-to-date while import car sales are down 0.7 percent.

2004 Light Vehicle Sales Up Slightly Year-to-Date



Motor Vehicle Sales Statistics

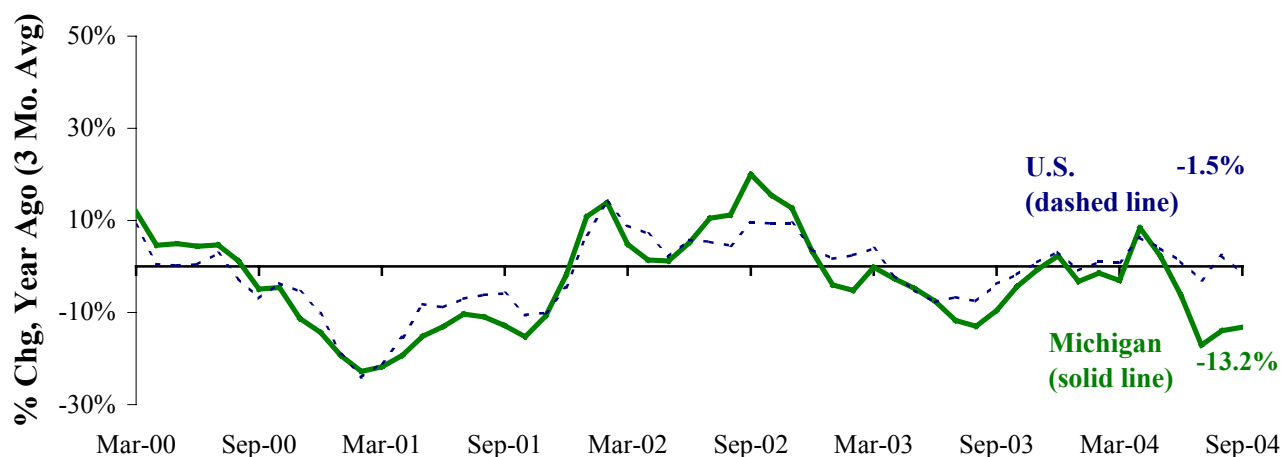
(Millions, unless otherwise specified)

Motor Vehicle Sales ^(c)	2003 Average	Jul 2004	Aug 2004	Sep 2004	3 Month Average	Change from Year Ago	
						Level	%
Autos	7.6	7.5	7.2	7.3	7.3	(0.3)	-3.8%
Domestics	5.5	5.5	5.2	5.3	5.3	(0.3)	-4.8%
Imports	2.1	2.1	2.0	2.1	2.0	(0.0)	-1.0%
Import Share	27.4%	27.4%	28.0%	28.2%	27.9%	0.8% pts	
Light Trucks	9.0	9.7	9.4	10.1	9.7	0.8	8.8%
Domestics	7.8	8.4	8.2	8.9	8.5	0.8	10.5%
Imports	1.2	1.3	1.2	1.2	1.2	(0.0)	-2.4%
Import Share	13.5%	13.3%	12.7%	12.0%	12.6%	-1.4% pts	
Total Light Vehicles	16.6	17.2	16.6	17.5	17.1	0.5	3.1%
Heavy Trucks	0.3	0.4	0.4	0.4	0.4	0.1	29.3%
Total Vehicles	17.0	17.6	17.0	17.9	17.5	0.6	3.7%
U.S. Light Vehicle Inventories^(d)		Jul-04	Aug-04	Sep-04	3 Month	Change	
Total Car	1.552	1.330	1.317	1.346	1.331	-0.024	
Days Supply	63	53	52	56	54	1 day	
Total Truck	2.151	2.301	2.282	2.263	2.282	0.268	
Days Supply	74	71	72	69	71	1 day	

Motor Vehicle Industry Production

- At 230,531 units, September Michigan light vehicle production fell 12.9 percent from a year ago, compared with a 6.2 percent decline nationally.
- Compared with a year ago, state car production fell 20.2 percent while state truck production declined 4.5 percent. Nationally, car production fell 8.6 percent while truck production decreased 4.8 percent.
- Production varies substantially from month to month. Therefore, a three-month average may provide a clearer indication of vehicle production patterns. The Michigan three-month average was down 13.2 percent from a year ago, compared with a 1.5 percent decline nationally. Year-to-date, Michigan vehicle production is down 7.2 percent compared with a 0.2 percent increase nationally.

Trend Light Vehicle Production Down in Michigan and Nationally



Motor Vehicle Production Statistics

(Thousands, unless otherwise specified)

	2003 Average	Jul 2004	Aug 2004	Sep 2004	3 Month Average	Change from Year Ago for the Month	
						Level	%
U.S. Production ^(e)							
Autos	376.4	237.2	385.8	381.7	334.9	(36.1)	-8.6%
Trucks	634.6	398.7	683.5	670.4	584.2	(33.6)	-4.8%
Total	1,011.0	636.0	1,069.3	1,052.1	919.1	(69.7)	-6.2%
Michigan Production ^(f)							
Autos	127.2	47.1	104.9	112.8	88.3	(28.5)	-20.2%
Trucks	104.8	53.9	107.7	117.7	93.1	(5.6)	-4.5%
Total	232.0	101.0	212.6	230.5	181.4	(34.1)	-12.9%
Michigan as % of U.S.	22.9%	15.9%	19.9%	21.9%	19.7%	-1.7% pts	

September 2004 Unemployment Rates Fell in Eleven Major Labor Market Areas (Not Seasonally Adjusted)

Compared to a year ago, September 2004 unemployment rates fell in eleven major labor market areas. Six labor market areas reported declines of 1.0 percentage point or more. The median decline was 0.9 of a percentage point. One area reported a slight increase from a year ago.

The Jackson MSA reported the largest decline from a year ago (1.6 percentage points) followed by the Grand Rapids MSA and Northeast Lower Michigan (1.4 percentage points). The Flint MSA reported the next largest decline (1.1 percentage points), followed by the Upper Peninsula and Benton Harbor MSA (1.0 percentage point). The Lansing area reported a 0.2 of a percentage point increase from a year ago.

September 2004 unemployment rates ranged between 3.7 percent (Ann Arbor) and 8.3 percent (Flint). Compared to August's unemployment rates, four major labor market areas reported non-seasonally adjusted lower unemployment rates; four reported increases and four saw no change.

Compared to September 2003, unemployment rates fell in 75 counties and rose in seven counties. The unemployment rate was unchanged in one county.

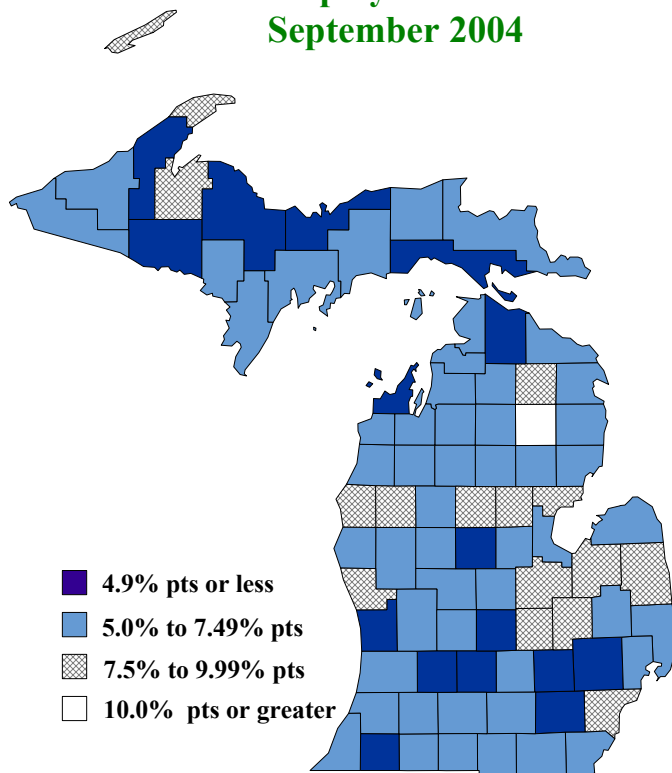
Among Michigan's 83 counties, 82 counties reported a September unemployment rate of 10.0 percent or lower. Seventeen counties recorded an unemployment rate of 5.0 percent or less.

Local Area Unemployment Rates^(g)

<u>Local Area</u>	<u>Sep 2003 Rate</u>	<u>Sep 2004 Rate</u>	<u>Latest 3 Month Average</u>
Michigan	7.0%	6.2%	6.6%
Ann Arbor MSA	4.1%	3.7%	3.9%
Benton Harbor MSA	7.2%	6.2%	6.6%
Detroit PMSA	7.3%	6.7%	7.2%
Flint MSA	9.4%	8.3%	8.9%
GR-Musk-Holl MSA	7.4%	6.0%	6.3%
Jackson MSA	7.8%	6.2%	6.6%
Kal-Battle Creek MSA	6.2%	5.6%	5.9%
Lansing MSA	4.6%	4.8%	5.2%
Sag-Bay-Midland MSA	8.1%	7.3%	7.5%
Upper Peninsula	5.9%	4.9%	5.2%
Northeast Lower Mich	7.5%	6.1%	6.5%
Northwest Lower Mich.	6.4%	5.6%	5.7%

Source: Michigan Department of Labor and Economic Growth. Due to methodological changes beginning in January 2004, household employment and unemployment level data are not comparable to earlier months.

Unemployment Rates September 2004



U.S. Economic Conditions

	<u>Jun-04</u>	<u>Jul-04</u>	<u>Aug-04</u>	<u>Sep-04</u>	<u>Change from Year Ago</u>
KEY ECONOMIC INDICATORS					
Consumer Sentiment ^(h)	95.6	96.7	95.9	94.2	6.5 points
ISM Manufacturing Index ⁽ⁱ⁾	61.1	62.0	59.0	58.5	3.8 points
ISM Non Manufacturing Index ⁽ⁱ⁾	59.9	64.8	58.2	56.7	-5.0 points
	<u>2003.4</u>	<u>2004.1</u>	<u>2004.2</u>	<u>2004.3</u>	
Business Executives' Confidence ^(j)	66.0	73.0	70.0	63.0	-4.0 points
INFLATION ^(k)					
1982-84 = 100	<u>Jun-04</u>	<u>Jul-04</u>	<u>Aug-04</u>	<u>Sep-04</u>	<u>Change from Year Ago</u>
U.S. Consumer Price Index	189.7	189.4	189.5	189.9	2.5%
Detroit CPI	185.8	NA	186.8	NA	1.7%
U.S. Producer Price Index	148.7	148.7	148.6	148.7	3.3%
INTEREST RATES					
90 Day T-Bill ^(l)	1.27%	1.35%	1.48%	1.65%	0.70% points
Aaa Corporate Bonds ^(m)	6.01%	5.82%	5.65%	5.46%	-0.26% points
INDUSTRIAL PRODUCTION ⁽ⁿ⁾					
	115.9	116.7	116.5	116.7	4.6%
CAPACITY UTILIZATION ^(m)					
	77.0%	77.4%	77.2%	77.2%	2.3% points
RETAIL SALES ⁽ⁿ⁾					
	\$333.5	\$336.9	\$336.4	\$341.3	7.7%
HOUSING STARTS and SALES					
(Millions Annual Rate)	<u>May-04</u>	<u>Jun-04</u>	<u>Jul-04</u>	<u>Aug-04</u>	<u>% Change From Year Ago</u>
Housing Starts ^(o)	1.979	1.817	1.985	2.020	10.1%
Existing Home Sales ^(p)	6.810	6.920	6.720	6.550	2.5%
DURABLE GOODS ORDERS ^(q)					
	\$190.2	\$192.7	\$196.4	\$195.8	12.0%
PERSONAL INCOME ^(c)					
(Billions of Dollars)	<u>2003.3</u>	<u>2003.4</u>	<u>2004.1</u>	<u>2004.2</u>	<u>% Change From Year Ago</u>
Michigan	\$315.8	\$322.6	\$317.5	\$321.7	3.1%
U.S.	\$9,196.6	\$9,317.3	\$9,425.2	\$9,565.3	5.2%
GROSS DOMESTIC PRODUCT					
(Billions of Chained 2000 Dollars) ^(c)	<u>2003.3</u>	<u>2003.4</u>	<u>2004.1</u>	<u>2004.2</u>	<u>Annualized % Chg From Last Qtr</u>
	\$10,472.8	\$10,580.7	\$10,697.5	\$10,784.7	3.3%

SOURCES AND NOTES:

- (a) Seasonally adjusted. Sources: Bureau of Labor Statistics, U.S. Department of Labor and Michigan Dept. of Labor and Economic Growth, Employment Service Agency.
- (b) Bureau of Labor Statistics, U.S. Department of Labor (BLS 790).
- (c) Seasonally adjusted annual rates. Source: Bureau of Economic Analysis, U.S. Department of Commerce.
- (d) Ward's Automotive Reports.
- (e) Automotive News.
- (f) Michigan Department of Treasury.
- (g) Michigan Department of Labor and Economic Growth, Employment Service Agency.
- (h) University of Michigan Survey of Consumers.
- (i) Institute for Supply Management (ISM), formerly NAPM.
- (j) The Conference Board.
- (k) Bureau of Labor Statistics, U.S. Department of Labor.
- (l) U.S. Department of Treasury. Average of weekly averages.
- (m) Seasonally adjusted rates (except interest rates). Federal Reserve System Board of Governors. 1997 equals 100.
- (n) Retail and Food Services Sales. Bureau of the Census, U.S. Department of Commerce.
- (o) Bureau of the Census, U.S. Department of Commerce.
- (p) National Association of Realtors.
- (q) Bureau of the Census, U.S. Department of Commerce. Figures exclude semi conductors.